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NEWS RELEASE

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State to Issue \$15 million in Credits to Correct Overcharge in Unemployment Contribution Tax Rates

IDES fixes calculation error impacting thousands of employers across several industries

CHICAGO—The Illinois Department of Employment Security (IDES) will issue \$15 million in credits to thousands of new employers within eight industries which were incorrectly charged higher unemployment tax rates since 2013.

During routine preparation of tax rates for calendar year 2016, the Department discovered calculation errors in its system program that erroneously inflated average industry tax rates for 2013 through 2015, impacting employers in the administrative, support/waste management, construction, company management, manufacturing, mining, information, transportation/warehousing, and unclassified industries. The Department has corrected the billing rates for any new employers who register in the future. Impacted employers who already paid taxes at the incorrect higher rates will be credited for their overpayments towards their next quarterly contribution.

A new employer is one who has not incurred liability for state unemployment taxes within the three previous calendar years. New employer rates are generally the greater of a standard new employer rate or the average tax rate for the new employer's industry, as defined by the North American Industry Classification System (NAICS). Both the standard tax rate and average industry rates are calculated according to a formula prescribed in the law.

The Department discovered system errors that incorrectly increased the average industry tax rates. In some instances, employers who should have been subject to the standard new employer rate were incorrectly assigned a higher rate. In other instances, although the employer should have been assessed at the average rate for its industry, the rate initially assigned for the industry was too high.

"We have identified a calculation error in previous tax rate determinations and found an effective solution to fix it," said Director Jeff Mays. "For those employers who have diligently paid their unemployment taxes and have had a tough time the last few years surviving in Illinois' struggling economy, we hope this will help a bit."

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